

# DOES WAGE INFLATION CAUSE PRICE INFLATION?

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Washington (Mr. METCALF) is recognized for 5 minutes.

Mr. METCALF. Mr. Speaker, I am going to speak on does wage inflation cause price inflation? That is a question that few have asked, even at the Federal Reserve Systems' Board of Governors.

Though wage inflation is presently utilized to aid in determining whether the Fed raises the interest rates or lowers rates or leaves rates the way they are, most have never heard of wage inflation until I spoke to this issue in a previous speech. Most still think it means that the wages of workers in the broadest sense are trending upward. Most think it just means workers are getting paid a little more, proof then of our booming economy.

Let me quote one recent headline from the Wall Street Journal: "Unions Seek Big Pay Gains, Sparking Inflation Worries."

In 1994, Layard and Nickell in their book "The Unemployment Crisis" stated this:

When buoyant demand reduces unemployment (at least relative to recent experience levels) inflationary pressure develops. Firms start bidding against each other for labor, and workers feel more confident in pressing wage claims. If the inflationary pressure is too great, inflation starts spiralling upwards: higher wages lead to higher price rises, leading to still higher wage rises, and so on. This is the wage price spiral.

This rather superficial explanation has been taken literally by many that should know better. But that would pose no problem should the idea itself remain in the cloistered walls of academia. But it did not.

When the Federal Reserve Board decided, along with Members of Congress and the White House, that price stability shall be of primary concern determining Fed policy, along with its clear mandate to keep real inflation under control using its mandated discretionary use of interest rates, this idea took hold.

We do know that Greenspan's Fed has looked at wage inflation as an indicator. Greenspan does not often call it wage inflation, but rather several different terms are offered up to explain the same thing, like this response to a Senate Banking member's question whether the Fed would raise the unemployment rate to something like five percent from its current level of four percent to achieve price stability.

Quoted in the Times:

I think the evidence indicating that we need to raise the unemployment rate to stabilize prices is unpersuasive. However, he was not sure and the issue was the subject of considerable debate among economists and Fed officials.

And it should also be of considerable debate among the Members of Con-

gress. Greenspan's comments were made during late July of this year. Less than one week later, during the House Committee on Banking hearings I asked Greenspan if he thought it was proper to use worker's wages as an indicator at all. I asked him if he believed wage inflation was the cause of price inflation. Here, in part, are his contradictory remarks:

Wage inflation by itself does not. The issue basically is the question of whether wage inflation, as you put it, or, more appropriately, increases in aggregate compensation per hour are moving—are increasing at a pace sufficiently in excess of the growth and productivity so that unit labor costs effectively accelerate and generally drive up the price level.

Yes, precisely, that was what I said, does wage inflation, as I put it, because that is what Fed officials and economists call it, cause price inflation?

Greenspan then went on to add this:

The issue is, what you do not want to encourage are nominal increases in wages which do not match increases in productivity. Because history always tells you that that is a recipe for inflation and for economic recession.

Greenspan then, as is his custom, veered off course into a long discourse on topics nobody asked of him, closing with this final remark: "Nor have we, as you indicated, chosen wages as some indicator of monetary policy. That is not the case."

This is why many economists call this form of discourse Greenspanish, because he stated that wages, or, as he puts it, more appropriately, increases in aggregate compensation per hour, are looked at as an indicator that union labor costs effectively accelerate and generally drive up the price level.

So wage inflation does drive up the price level, according to Greenspan's Fed.

Does wage inflation, whatever it is, cause price inflation? That is the subject we need to go into.

## TOPICS OF NATIONAL CONCERN

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Tennessee (Mr. DUNCAN) is recognized for 5 minutes.

Mr. DUNCAN. Mr. Speaker, I rise today to speak on a couple of unrelated topics of national concern, related in some ways, unrelated in others, but nonetheless very, very important topics.

The first of these pertains to the millions of acres of which have burned and are burning at the present time in our western States. This is something that the Subcommittee on Forests and Forest Health of the Committee on Resources, which is one of the subcommittees on which I serve, heard about in one of the first hearings held in this Congress early in 1999, early last year.

The hearing that we held was based on a 1998 GAO report that I do under-

stand and have read that we were having warnings as early as 1993 about the potential effects of this problem. But in this hearing in 1999, we were told that there were some 40 million acres in our western States that were in immediate danger of catastrophic forest fire.

We now have estimates, based on these latest fires, that over \$10 billion worth of economic damage has been done thus far and that the costs to the Federal Government are going to exceed at least \$1 billion and that if these fires keep burning and expanding, the costs may become even greater.

The sad thing is that this is a problem that we not only knew about but that we could have easily done something about.

In the mid-1980s, I am told that the Congress passed what was then held as a great environmental law that we would not cut more than 80 percent of the new growth in our national forests; and that was praised as a great environmental law at that time. And yet, today we are cutting less than one-seventh of the new growth in our national forests.

The Subcommittee on Forests and Forest Health staff has told me that we have over 23 billion board feet of new growth in our national forests each and every year, yet we are cutting less than 3 billion board feet. Less than one-seventh of the new growth in our national forests is what we are cutting today. And they tell me that there is over twice that amount, or some 6 billion board feet, of dead and dying timber each year. And yet environmental extremists will not let us go in and remove even the dead and dying trees, and that this causes fuel buildup on the floor of these forests, which has been the main cause of all of these catastrophic forest fires.

Yet, if I went to any school in Knoxville, Tennessee, or in my district and told the school children in that district that I was opposed to cutting any tree in the national forests, they would probably cheer because there has been such a brainwashing effort about things of this nature in schools in this country for the last several years.

Forest experts tell us repeatedly that we have to cut some trees to have healthy forests. Yet there are some people that do not want us to cut a single tree in our national forests. But people who do support that or do not want any logging done whatsoever should stop and think of all the products that are made with wood. Everything from books to newspapers, furniture, houses, toilet paper, all kinds of things, everything that we use in our daily lives or many, many things go back to wood and wood products. And yet there are some of these wealthy extremists who, for some reason, do not want us to cut even a single tree.

Yet, this is a very shortsighted and very harmful position to take. And it is

especially harmful to the poor and the working people in the middle-income field because it destroys jobs and drives up prices for everything. So that is a problem that we really need to do something about.

The second thing I want to mention is something that I mentioned in the 1-minutes this morning, but I would like to expand on just a little bit.

The top headline in the Washington Post says today that oil prices have hit a 10-year high. This is something else that we could easily do something about, and yet we have these environmental extremists who not only do they not want us to cut any trees, they do not want us to drill for any oil.

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The U.S. Geologic Survey tells us that in one tiny part of the Arctic National Wildlife Refuge, which is 19.8 million acres, 19.8 million acres, the Arctic National Wildlife Refuge is that big, the Great Smoky Mountains National Park which is the most heavily visited national park, a large portion of which is in my district, is less than 600,000 acres, so we are talking about an area 33 times the size of the Great Smoky Mountains National Park, in only two or 3,000 acres on the coastal plain of Alaska, the U.S. Geologic Survey tells us there is some 16 billion barrels of oil. This is equivalent to 30 years of Saudi oil. There are billions more barrels offshore from this country. Yet the administration, the President signed an executive order putting 80 percent of the Outer Continental Shelf off-limits for oil production. He also vetoed legislation which would have allowed us to produce this oil in Alaska.

So if people like high gas prices, they should write the White House and these environmental groups and tell them thank you for the high gas prices that we have in this country today.

#### PRESCRIPTION DRUG COVERAGE

The SPEAKER pro tempore (Mr. LAHOOD). Under a previous order of the House, the gentlewoman from Michigan (Ms. STABENOW) is recognized for 5 minutes.

Ms. STABENOW. Mr. Speaker, I rise this evening as I have done on many, many occasions to talk about the most important quality-of-life issue for seniors in my State and around the country, and that is the issue of prescription drugs and the high costs that they are having to pay. Not only do we know that seniors who have no insurance are paying twice as much as others when they go to the drug store and get their medications, but we have a health care system that has been in place now for 35 years, a very successful health care system called Medicare that simply needs to be modernized to cover prescription drugs so that our seniors can

continue to get the promise of health care that we made to them 35 years ago.

I have been asking people in my district and around the State of Michigan to write letters that I will share on the floor of the House of Representatives. Once again this evening, I wish to do that, to read a letter from Annabelle Lewis from Hillsdale, Michigan, who writes about her own struggles to pay for her prescriptions.

She says:

I stopped taking the Provachol 20 milligrams for high cholesterol in January 1999, having previously cut pills in half. In December 1999, a year later, my cholesterol was 339. Having received some free samples, my cholesterol came down to 198. Presently this medication is \$122.99 per month, not including \$30.58 for Estrogen replacement. Medicare part B deductible this month has reduced my Social Security to \$505. This covers house expenses with little left over. Having this medication available certainly would be less expensive than a nursing home should I have a stroke. I am able to continue working as a nurse but I find it very difficult due to my depressed state. I hope this information is useful and you will be blessed in your efforts.

Sincerely, thank you, Annabelle Lewis.

Under the plan that I am supporting for Medicare coverage, a voluntary, optional, comprehensive Medicare benefit we would add to Medicare, Annabelle Lewis would be saving \$438, important dollars, the difference between eating breakfast, lunch or dinner, paying the utility bill, having the quality of life that I am sure as a nurse she has worked hard all these years to acquire and now finds herself having to struggle with issues of cholesterol, whether or not she will be healthy or have a stroke.

Seniors in our country deserve better. I know right now with all the confusion and all the numbers and all the private plans and proposals that are out there, the real bottom line that all of this is about is the fact that the prescription drug companies do not want the 39 million seniors of this country to be organized under Medicare and have the clout to get a reduced price, just like anybody else in any other insurance plan. Coming together they would have the combined clout to get a group discount of great magnitude. That is the real fight about Medicare. That is the fight we are in right now. Do we just simply modernize Medicare, or do we set up some complicated system with insurance companies that say they do not want to cover prescription drugs? And they do not intend to cover prescription drugs, saying instead it is a hollow promise to go that direction.

I would urge, Mr. Speaker, that this House come together and recognize and celebrate Medicare, which is a 35-year success story for our country, 35 years of health care for seniors, for the disabled in this country, that only does not work now because we do not cover the new way that health care has pro-

vided today, which is simply prescription drugs. If we simply modernize Medicare, we will be able to continue to keep the promise.

It seems to me in these great economic times, we have two important challenges: we need to pay our bills and we need to keep our promises. The promise of Medicare is something that our seniors are counting on. We need to pass a comprehensive, voluntary prescription drug plan now.

#### CALLING ON CONGRESS TO STRIKE LANGUAGE IN TRADE BILL IN REGARD TO SUDAN

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Virginia (Mr. WOLF) is recognized for 5 minutes.

Mr. WOLF. Mr. Speaker, I am appalled and outraged that language was included in a recent bill that unanimously passed the House that will lift the embargo on gum arabic from Sudan.

Language was included in H.R. 4868, the Miscellaneous Trade and Corrections Act of 2000, which does not even mention the word or country of Sudan or gum arabic. Yet the passing of this language is a significant foreign policy issue for the U.S. The language was known about by very few Members of the House. This is very cryptic language that was used to describe a major foreign policy issue for the U.S., whether to lift significant sanctions against one of the worst regimes in the world.

The regime in Khartoum harbors gobs of terrorists. Abu Nidal, Hamas, and all of the terrorists who are doing so much to disrupt the Middle East have training camps in Sudan. Virtually every major terrorist group in the world passes through Khartoum, many under the tutelage and sponsorship of the government of Sudan. The government of Sudan was implicated and behind the assassination attempt on Egyptian President Hosni Mubarak. The government of Sudan condones slavery. Slavery exists in the 21st century. Yet the Congress voted to help a country that has slavery. Over 2 million people have died because of the war conducted and generated by the northern-led government.

The government of Sudan indiscriminately and repeatedly bombs and kills innocent civilians. They are killing hundreds of Catholics in Bishop Max Gassis' diocese in the Nuba Mountains. Just over the past few weeks, the Sudanese regime has shut down a U.N. humanitarian relief Operation Lifeline Sudan that feeds millions of people in southern Sudan, by repeatedly bombing and attacking and killing workers and planes.

Chinese troops are now supposedly present in Sudan, most likely guarding the precious oil fields that are now